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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	CC Docket No. 01-140
Bell Atlantic Telephone Companies Revisions in Tariff FCC Nos. 1 and 11	Transmittal Nos. 1373 and 1374
Verizon Telephone Companies Tariff FCC Nos. 1 and 11	Transmittal Nos. 23 and 24

REVISION TO VERIZON DIRECT CASE

Please replace the document in Attachment 4, Tab 9 with the attached "Public Version" of Bell Atlantic-New York's Post-Hearing Reply Brief on Physical and Virtual Collocation and return the original to the address below.

Respectfully submitted,

By: [signature]

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* * * **PUBLIC VERSION** * * *

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Joint Complaint of AT&T Communications of New York, Inc., MCI Telecommunications Corporation, WorldCom, Inc. d/b/a LDDS WorldCom and the Empire Association of Long Distance Telephone Companies, Inc. Against New York Telephone Company Concerning Wholesale Provisioning of Local Exchange Service By New York Telephone Company and Sections of New York Telephone's Tariff No. 900	Case 95-C-0657
Proceeding on Motion of the Commission to Examine Issues Related to the Continuing Provision of Universal Service and to Develop a Regulatory Framework for the Transition to Competition in the Local Exchange Market	Case 94-C-0095
Proceeding on Motion of the Commission Regarding Comparably Efficient Interconnection Arrangements for Residential and Business Links	Case 91-C-1174
Complaint of AT&T Communications of New York, Inc. Against New York Telephone Company Concerning AT&T's Request for Four Collocated "Cages" To Be Provided By New York Telephone Pursuant to Its Optical Transport Interconnection Service II ("OTIS-II") Tariff	Case 96-C-0036

BELL ATLANTIC - NEW YORK'S POST-HEARING REPLY BRIEF ON PHYSICAL AND VIRTUAL COLLOCATION

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BELL ATLANTIC - NEW YORK'S POST-HEARING REPLY BRIEF ON PHYSICAL AND VIRTUAL COLLOCATION

INTRODUCTION

New York Telephone Company, d/b/a Bell Atlantic – New York ("BA-NY"), respectfully submits its Post-Hearing Reply Brief on Physical and Virtual Collocation. The briefs submitted by AT&T Communications of New York, Inc. ("AT&T"), MCI Telecommunications Corporation and MCImetro Access Transmission ("MCI"), and Intermedia Communications Inc. ("Intermedia") fall far short of establishing that BA-NY's proposed rates for collocation are incorrect. Indeed, they do not even attack actual vendor used to support BA-NY's costs, nor many of the assumptions made by the BA-NY personnel based on their actual experience provisioning over 100 collocation arrangements in New York. Instead, the arguments of AT&T/MCI and Intermedia boil down to the same point: that collocation rates should be based on hypothetical assumptions such as the central office configuration, utilization rates, and the number of cages provisioned at one time. As BA-NY explained in its initial brief, none of these assumptions reflect reality and do not capture the actual forward-looking costs BA-NY will incur to provision collocation. The arguments set forth in the initial briefs of AT&T/MCI and Intermedia should be rejected.[1]

ARGUMENT

I. THE COMMISSION'S PRIOR DECISIONS REGARDING COLLOCATION ROOM CONSTRUCTION COSTS ARE CONTROLLING.

AT&T/MCI and Intermedia argue in their initial briefs that BA-NY's proposal to recover room construction costs on a vendor pass through basis should be rejected for two reasons. First, they contend that BA-NY, not the collocators, should bear room construction costs incurred by BA-NY to prepare its existing central offices to accommodate collocators.[2] According to AT&T/MCI and Intermedia, forward-looking costing methodology instead requires that collocation costs be based on the costs associated with building an imaginary central office.[3] Second, AT&T/MCI and Intermedia object to BA-NY's method of calculating room construction

[1] Most of AT&T/MCI's and Intermedia's arguments are addressed in BA-NY's initial brief. BA-NY will repeat only those arguments necessary to respond to any new issues raised by these parties.

[2] AT&T/MCI Br. at 6-12, 29-31; Intermedia Br. at 4-5. Intermedia also raises a similar argument regarding the costs associated with conditioning the collocation room to accommodate switching equipment. Intermedia Br. at 9. As BA-NY explained, if the collocation room must be upgraded to provide conditioning required for a digital switch, those costs will passed onto the cost causer – the collocator. BA-NY Br. at 45-46.

[3] BA-NY has already responded to AT&T/MCI's claim (p. 11) that "in a competitive market BA-NY would not be able to charge a competitive rental rate for this space AND force the occupant of the space to pay all its space

costs on an individual case basis ("ICB").[4]

Both of these issues have already been decided by this Commission, as BA-NY has repeatedly explained. The Commission has always proposed that costs related to collocation be recovered on a case by case basis. In a decision that leaves no room for doubt, the Commission rejected AT&T/MCI's claim[5] that forward-looking costing methodology requires that BA-NY bear the room constructions costs, holding that it was "neither reasonable nor equitable in the circumstance" to require BA-NY to bear some or all of the room construction costs.[6] The Commission further held that it was appropriate to determine room construction costs on an ICB basis because each central office requires unique preparation.[7] Indeed, if the Commission were now to order BA-NY to adopt an average room construction rate, the cost recovery mechanism adopted by the Commission – requiring each collocator to pay its share of these costs based on its assignable square footage of collocation space – would be rendered meaningless.[8]

None of the parties have even attempted to explain why the Commission's May 29th ruling does not squarely resolve the issues in this proceeding. AT&T/MCI simply state that they

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preparation costs." *See* BA-NY Br. at 4 n.8; *see also* Intermedia Br. at 4.

[4] AT&T/MCI Br. at 43-45; Intermedia Br. at 9-10.

[5] Intermedia did not file a Petition for Rehearing.

[6] *See* BA-NY Br. at 2-5 (citing Case 95-C-0657, 94-C-0095, 91-C-1174, 96-C-0036, Order Adopting the March 2, 1998 Order as a Permanent Rule and Denying Petitions for Rehearing (May 29, 1998), at 21).

[7] *Id.* This ruling is also consistent with the Commission's Order in Cases 88-C-004 (May 8, 1991), at 44. With respect to collocation room construction costs, the Commission ruled: "We agree with the Company that development of specific installation, engineering and design work related to collocated space should be performed on a case-by-case basis." In addition, BA-NY addressed in its initial brief the arguments of AT&T/MCI (p. 44) and Intermedia (p. 9) that ICB charges would permit BA-NY to intentionally manipulate costs and create artificial barriers to entry. BA-NY Br. at 3 n.5.

[8] *See* Order Adopting the March 2, 1998 Order as a Permanent Rule and Denying Petitions for Rehearing (May 29, 1998), at 21; *see also* Order Directing Tariff Changes for Non-Price Terms and Conditions for Collocation (March 2, 1998), at 10-12.

"acknowledge this Order and continue to argue that this Order is fundamentally at odds with the TELRIC cost construct and is totally consistent with the embedded cost approach advocated by BA-NY."[9] And Intermedia ignores the decision altogether.

AT&T/MCI do spend considerable time discussing the FCC's pricing regulations that have been vacated by the Eighth Circuit – a fact AT&T/MCI fail to mention.[10] It is wholly inappropriate to argue that the FCC's vacated pricing rules, rather than the Commission's prior rulings, govern collocation room construction costs. In any event, the FCC's pricing rules do not require that collocation costs be recovered in the manner prescribed by AT&T/MCI, as BA-NY explained in its initial brief and in its opposition to the Petitions for Rehearing of the Commission's March 2, 1998 Order (filed February 23, 1998).

BA-NY's collocation room construction costs comport with a forward-looking TELRIC methodology.[11] Accordingly, there is absolutely no basis for the Commission to depart from its May 29th ruling that BA-NY's ICB room construction charge is appropriate.

II. AT&T/MCI HAVE FAILED TO ESTABLISH THAT THE MODEL'S USE OF UNVERIFIED AND OUTDATED R.S. MEANS DATA IS APPROPRIATE.

AT&T/MCI completely fail in their initial brief to explain away the serious deficiencies in

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[9] AT&T/MCI Br. at 30.

[10] *Id.* at 3-5.

[11] BA-NY Br. at 2-5; Tr. 6162-64. AT&T/MCI's assertion that Mr. Grenier was unable to articulate why a pass through rate structure for room construction complies with TELRIC is incorrect. AT&T/MCI Br. at 43. Mr. Grenier stated that although this question was more rate design related, the collocators – as the cost causer – should pay for the "total element of collocation provisioning costs" and that such costs are "an incremental cost to this business." Tr. 6436, 6438. Similarly, AT&T/MCI complain that BA-NY fails to explain how its current method of provisioning collocation is forward-looking. AT&T/MCI Br. at 20. BA-NY will be provisioning collocation using the same central offices it uses today. And, unlike other parts of BA-NY's, BA-NY does not envision any significant changes in technology that would change the way it provisions the cross connects or other collocation components such as power. Finally, AT&T/MCI have offered no proof that there will be significant changes in the way collocation is provisioned in the future.

the R.S. Means data relied on in the Model to determine building costs. As BA-NY has demonstrated, the Model's building costs should therefore be rejected.

A. BA-NY Has Demonstrated That The R.S. Means Data Cannot Be Used to Determine Building Costs.

As an initial matter, R.S. Means only provides a method of *estimating* costs. Indeed, R.S. Means advises that its estimates should be disregarded once real data is obtained.[12] AT&T/MCI discount this warning from R.S. Means, arguing that many data sources contain such disclaimers.[13] AT&T/MCI completely miss the point. If this proceeding were only about estimating costs, not setting permanent rates for collocation, then the R.S. Means data could be a useful guide (disregarding the other deficiencies demonstrated by BA-NY). But this case is about compensating BA-NY for its forward-looking costs of provisioning collocation. It is therefore more appropriate to use actual New York-specific cost data, as BA-NY does in its collocation cost study. For example, BA-NY's room construction rates will be based on actual data – that is, the invoices submitted by the vendors who actually prepared the collocation room for the collocators. This actual data is far superior to the R.S. Means estimates, which rely exclusively on unnamed general contractors throughout the country to include all the relevant costs associated with building a central office.

More important, BA-NY discovered in the middle of these proceedings that AT&T/MCI had misrepresented the R.S. Means data relied on in their Model. As BA-NY explained in its initial brief, Mr. Bissell admitted that he took no steps to ensure that the data was what he

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[12] BA-NY Br. at 5-6.

[13] AT&T/MCI Br. at 21.

represented it to be to the Commission.[14] According to Mr. Bissell, in order to verify this information, he would have had to pay R.S. Means to pull this information – money AT&T/MCI apparently believed was not worth spending. BA-NY, however, did ask R.S. Means for this information, for which BA-NY was charged only $500.[15]

The R.S. Means information obtained by BA-NY demonstrates conclusively that the Model does not reflect the costs of building a brand new central office. As BA-NY explained in its initial brief, R.S. Means informed BA-NY that the most recent building included in the R.S. Means data was completed almost ten years ago, and that 61 out of 64 projects were completed prior to 1985, with ten of these projects completed more than 20 years ago.[16] Because the data is so old, it does not reflect the costs of building a brand new central office. In fact, AT&T/MCI did not even challenge BA-NY's testimony that the central office conditioning requirements for today's digital switches were not known until the late 1980's, and thus could not possibly be included in the central office projects contained in the R.S. Means data.[17]

B. AT&T/MCI's Sheer Speculation Regarding What Costs May Be Included In The R.S. Means Data Is Inadequate And Only Proves BA-NY's Point.

AT&T/MCI have offered no proof other than pure speculation that the R.S. Means data accurately reflects the costs associated with building a state-of-the-art central office. AT&T/MCI argue, for example, that using outdated R.S. Means data may in fact *overstate* the costs of a new

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[14] BA-NY Br. at 5.

[15] *Id.*

[16] BA-NY Br. at 10.

[17] BA-NY Br. at 11.

central office because the ceilings in new central offices are lower, thus reducing costs.[18] But AT&T/MCI offer no evidence that the floor heights and associated costs included in the R.S. Means data support their claim. Nor could they. As BA-NY explained, the data underlying the R.S. Means data has been destroyed.[19] In addition, AT&T/MCI completely ignore the numerous other changes to central offices since the R.S. Means data was collected – particularly environmental conditioning – which have increased costs.

In response to BA-NY's claim that it is impossible to determine whether the R.S. Means data includes *all* the costs – such as site preparation and soft costs – associated with building a brand new central office,[20] AT&T/MCI simply assert that Mr. Bissell *thinks* the general contractors who filled out the R.S. Means surveys would have included these costs. AT&T/MCI's assertion only proves BA-NY's point that the R.S. Means data is unreliable. AT&T/MCI's assertion that the R.S. Means data is "close enough" should therefore be rejected.

C. AT&T/MCI's Claim That The Model Double Recovers Costs Should Be Dismissed.

AT&T/MCI further claim that the Commission should not be concerned about the Model's use of R.S. Means data because the Model overstates costs in other areas. For example, they state that the Model double recovers standby generator, fuel tank, switchboard equipment and AC entrance cable costs because the Model separately recovers these costs even though it is

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[18] AT&T/MCI Br. at 22.

[19] BA-NY Br. at 8.

[20] *See* BA-NY Br. at 7-10.

possible that these costs are already contained in the R.S. Means building costs.[21] To support its position, AT&T/MCI relies on a statement from BA-NY's responsive testimony.[22]

AT&T/MCI, however, misstate BA-NY's position and ignore BA-NY's testimony at the hearings. In its responsive testimony, BA-NY stated only that the fuel tank and AC entrance cable are generally part of the building account.[23] And during the hearings, Mr. Rath confirmed that the standby generator and switchboard equipment were not part of the land and buildings account.[24]

Finally, AT&T/MCI cannot assume that the costs of the AC entrance cable and fuel tank are included in the R.S. Means data because the surveys completed by general contractors no longer exist. AT&T/MCI therefore cannot state what is, and what is not, included in the R.S. Means data. It is entirely possible, for example, that the AC entrance cable and fuel tank were constructed by a different contractor than the contractor who filled out the R.S. Means survey, or was constructed at a different time. Thus, there is absolutely no support for AT&T/MCI's claim that the Model double recovers these costs.

* * * *

The bottom line is that the R.S. Means data raises many more questions than it answers. It is impossible to determine if the outdated data reflects all the costs of building a state-of-the art central office. And even if the data were not outdated, there would be no way to verify whether it

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[21] AT&T/MCI Br. at 24.

[22] AT&T/MCI Br. at 24 (citing Tr. 6277-78).

[23] Tr. 6277-78.

[24] Tr. 6473-74. Moreover, as discussed above, AT&T/MCI have not demonstrated that the Model includes

included *all* the necessary costs, such as soft costs and site preparation costs.[25] Finally, none of the central offices contained in the R.S. Means data were constructed in New York.[26]

III. BA-NY'S PER SQUARE FOOT CHARGES CAPTURE FORWARD-LOOKING BUILDING COSTS.

AT&T/MCI allege that BA-NY's per square foot charges are not forward-looking and recover embedded land and building costs.[27] AT&T/MCI misstate BA-NY's per square foot charges. Contrary to AT&T/MCI's claim, the purpose of this charge is not to recover BA-NY's past investment in the central office building and the land underneath. Indeed, the charge does not include any investments associated with this land. In addition, BA-NY's conservative $2.21 per square foot captures the forward-looking costs that BA-NY will incur for ongoing central office maintenance expenses such as snow removal, elevator maintenance, and janitorial services. It also recovers the costs associated with providing utilities such as AC electricity and air conditioning.

In addition, the per square foot charge also recover any incremental building costs BA-NY will incur to upgrade the central offices that accommodate collocators. These costs are based on BA-NY booked building investments, which are representative of these forward-looking incremental building costs.

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separate investments for these components.

[25] BA-NY Br. at 8-10.

[26] AT&T/MCI argue that BA-NY's claim that critical Model inputs cannot be adjusted is wrong. AT&T/MCI Br. at 28. Incredibly, AT&T/MCI assert that *all* Model inputs are user-adjustable. Perhaps AT&T/MCI are just engaging in semantics. If the Commission disregards the Model's fundamental assumption -- that the cost should be based on the cost of building a brand new central office -- then this portion of the Model will have been rejected, not "adjusted." The same is true with respect to other portions of the Model such as the assumption regarding the provisioning of four 100 square foot cages.

[27] AT&T/MCI Br. at 19-20.

The Commission has recognized that recovering these building costs is entirely appropriate. Ordinarily these costs are recovered through building investment cost factors, which are then applied to BA-NY's investments. These factors were adopted by the Commission in Opinion No. 97-2. However, because the collocator, not BA-NY, owns the underlying investments contained in the collocation space, applying a factor is inappropriate because there is no BA-NY investment. BA-NY's per square foot charges – which are derived from the same information as the building investment factors adopted by the Commission – is an alternative method of recovering these same costs.

BA-NY's per square foot charge of $2.21 is reasonable, conservative and forward-looking. Indeed, it is unlikely that collocators could find a commercial rental rate in New York any lower, particularly with the specific conditioning required for telecommunications equipment.

IV. BA-NY HAS DEMONSTRATED THAT ITS POWER COSTS ARE REASONABLE.

A. The AT&T Power Data Did Not Include Costs For Two Power Plants.

As BA-NY has demonstrated, AT&T's own power costs are entirely consistent with the power costs included in BA-NY's collocation cost study.[28] AT&T/MCI claim, however, that AT&T produced costs for 2 power plants, and that BA-NY has therefore overstated AT&T's power costs.[29] To support their claim, they point to the fact that the AT&T power plant includes 2 control bays.[30] AT&T/MCI's point is unpersuasive. It is well recognized that a single power plant may contain dual control bays. **[BEGIN AT&T PROPRIETARY]**

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[28] BA-NY Br. at 31-34; Tr. 6327-33P.

[29] AT&T/MCI Br. at 33.

[30] *Id.*

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[END AT&T PROPRIETARY]

C. AT&T/MCI's Claim That BA-NY's Power Installation Factor Is Inflated Should Be Rejected.

AT&T/MCI's claim that BA-NY's power installation factor is inflated is unfounded. Specifically, AT&T/MCI claim that this factor improperly includes all the cable racking running into each and every digital switch. They claim that Mr. Grenier admitted this fact in his Massachusetts testimony.[39] AT&T/MCI, however, have misquoted Mr. Grenier's Massachusetts testimony. He did not state that the power installation factor includes the cable racking going into each and every digital switch. Rather, it is clear from his testimony that Mr. Grenier was speaking of the power *distribution* racking and associated power cable rack to the digital switch network. Mr. Grenier stated: "New high and low steel must be constructed to support the power cable *distribution* racking and associated power cable from the power plant to each and every

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[39] AT&T/MCI Br. at 47.

equipment frame in the new digital switch.'"[40]

Moreover, Mr. Grenier directly addressed this same point in this proceeding, thus clearing up any ambiguity surrounding the issue:

> Q. Power plant requirements for such a hypothetical new digital switch installation would have, you know, iron work, power cabling requirements going into each one of our lineups, each one of the 20 bookshelf lineup, wouldn't it?
>
> A. (Grenier) ***No.***
>
> Q. It would not?
>
> A. (Grenier) ***No, it would not.*** There would be a distribution from the power room that would run perpendicular to those lineups, and then the cable rack that the power cable would then ride on through the digital switch would be 377C power – 377C account. The frames come in with the cable rack attached but you mount cable rack on top of the frames and the cable rack supports the switchboard cable, fiber optic cable and it separates power cable but that would be 377C account.[41]

Mr. Grenier made it clear that the cable rack carrying power cables into the actual digital switch is part of the 377C account, not a part of the power installation factor. AT&T/MCI completely ignore this colloquy between the parties.

Finally, AT&T/MCI raised the same argument in the Massachusetts proceedings – that Bell Atlantic - Massachusetts' ("BA-MA") power installation factor improperly included cable racking running into each digital switch. The Massachusetts Department of Telecommunications and Energy ("DTE") obviously found this argument unpersuasive, adopting BA-MA's power installation factor of 3.1963,[42] which is 45 basis points higher than the conservative installation

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[40] Rebuttal Testimony of Robert G. Grenier, Docket D.P.U./D.T.E. 96-73/74, Massachusetts Department of Telecommunications and Energy (December 31, 1997), at 12-13 (attachment 1) (emphasis added).

[41] Tr. 6494-95 (emphasis added).

[42] Order of Massachusetts Department of Telecommunications and Energy, Case No. D.P.U./D.T.E 96-73-74 (June

factor (2.745) BA-NY proposes in this proceeding. (The installation factors are calculated using precisely the same methodology). The power plant investments included in the BA-MA cost study, which were essentially the same as those included in the BA-NY study, were also approved. The Massachusetts DTE therefore rejected Mr. Bissell's power costs, which were similar to those filed with his direct testimony in New York.

11, 1998), at 21-22 (attachment 2).

D. AT&T's Own Data Shows That BA-NY Has Appropriately Sized The Power Plant.

AT&T/MCI also assert that BA-NY overstates power costs by oversizing the power plant.[43] AT&T's own power information belies this claim. AT&T's and BA-NY's method of sizing a power plant is virtually identical. **[BEGIN AT&T PROPRIETARY]**

[END AT&T PROPRIETARY]

AT&T's own power information therefore supports BA-NY's approach to sizing a power plant. Both companies engineer their power plants to allow for incremental growth over and above that which is needed to serve the needs of their central office switches.

E. AT&T/MCI Mischaracterize BA-NY's Statement Regarding The Model's Power Plant

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43 AT&T/MCI Br. at 32.

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Components.

AT&T/MCI further claim that BA-NY admitted that the Model contains all the necessary power plant components.[49] AT&T/MCI have completely missed BA-NY's point. While BA-NY acknowledged that the Model *lists* all the power components required to provision a power plant, BA-NY has repeatedly demonstrated that the Model cannot possibly include all the *costs* – including installation costs – associated with the power plant set forth in the Model.[50]

It should be noted that BA-NY has never been able to obtain a breakdown of investments and installation costs for significant components of the Model's power plant such as the standby generator, even though the vendor has purportedly been doing business with Bell of Canada for 30 years. Instead, AT&T/MCI keep repeating that the quote is "all inclusive." AT&T/MCI state that in response to BA-NY's criticisms, AT&T/MCI requested a more specific quote for power. The result, provided in Mr. Bissell's rebuttal testimony, indicated that the initial figures (in the AT&T/MCI cost model) were indeed generous.[51] Mr. Bissell did in fact furnish additional power plant investments, acquired over the internet, with his rebuttal testimony for rectifiers, BDFDs, and Absolyte II batteries.[52] However, BA-NY has repeatedly requested a breakdown of the material investments associated with the standby generator, switchboard, AC entrance cable, and fuel tank, as well as the installation, labor and material costs associated with these items.[53] This supporting cost information has never been provided by AT&T/MCI.

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[49] AT&T/MCI Br. at 32.

[50] BA-NY Br. at 27-28.

[51] AT&T/MCI Br. at 26.

[52] Exh. 340.

[53] *See* BA-NY Br. at 27-28.

Finally, AT&T/MCI's failure to provide supporting documentation for these items is critical since the Model's standby generator costs are vastly lower than BA-NY's costs. When converted to a per amp charge, the AT&T/MCI cost is less than one-half the cost in BA-NY's fully documented cost study. Appendix B sets forth BA-NY's comparison of standby generator costs.

In sum, BA-NY has demonstrated that its power costs are reasonable and consistent with AT&T's own power costs. The Model's unsupported costs must therefore be rejected.[54]

V. AT&T/MCI'S CRITICISMS OF BA-NY'S DIGITAL CIRCUIT INSTALLATION FACTOR ARE WITHOUT MERIT.

AT&T/MCI complain that BA-NY's 1.649 digital circuit installation factor is inappropriately based on all installations, rather than solely on collocation projects.[55] AT&T/MCI are correct that the installation factor was derived from the DCPR database using all circuit installations. However, if BA-NY had based the factor only on collocation projects, the factor would have been much higher. This factor, for example, includes a significant number of plug-in or PIC installations. PICs are almost as easy to install as the name implies. They are simply plugged into existing equipment, tested, and "turned up" for service. The PIC investment represents about 82% ($93.2 million of $113.7 million) of the entire digital circuit account.[56]

By contrast, the hardwire investment associated with the digital circuit account is

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[54] BA-NY has demonstrated that the Model fails to include other significant power-related costs. *See* BA-NY Br. at 28 n.74. For example, there is no evidence that the Model includes the cost for transporting the power equipment to the central office, or for the use of "riggers" (the equipment that hoists the heavy power equipment to the central office location). AT&T used riggers for heavy equipment in its recent power plant installation. AT&T's Response to NYT-ATT-533. AT&T also paid over $15,000 in transportation costs associated with this power plant. *Id.*

[55] AT&T/MCI Br. at 49.

[56] Exh. 329P (attachments 3 and 4).

$20,588,501, which includes the installation of cables and cable racking – the components required to provision collocation. This activity is understandably more labor intensive than the installation of PICs. Indeed, the installation factor for these components alone would be 4.124.[57] Thus, BA-NY's 1.64 installation factor is conservative.

AT&T/MCI also complain that the digital circuit installation factor is based on all 1995 installations "and likely included many complex installations with a requirement of large amounts of internal manpower."[58] Mr. Grenier explained at the hearings, however, that there may be economies of scale associated with larger installation projects, which would reduce, not increase, the installation factor.[59] AT&T/MCI's criticisms are unfounded.

VI. THE MODEL'S SECURITY COSTS ARE PURE FANTASY.

The Model's approach to security costs is pure fantasy. The Model's developers urge the Commission to simply pretend that there are hallways and "perimeter corridors" in BA-NY's central office. According to the Model developers, only a secure identification reader system is required to secure BA-NY's central office from unfettered access by collocators.[60] Moreover, the Model spreads the costs across the entire square footage of the central office, thus requiring BA-NY to bear the majority of these costs.

BA-NY, by contrast, appropriately recovers the costs associated with securing its central office from unfettered access by collocators as part of the room construction charge, to be

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[57] *Id.*

[58] AT&T/MCI Br. at 49.

[59] Tr. 6540.

[60] Tr. 6660.

determined on a case-by-case basis. These security measures may include additional door locks, secure entranceways or drywall partitioning.[61] BA-NY's approach should be adopted because it appropriately assesses security costs on the cost causer – the collocator.

AT&T/MCI raise several issues regarding BA-NY's approach to recovering security costs. First, AT&T/MCI argue that the collocation area should be placed closer to its cross connects.[62] But this practice may increase, not decrease, security costs. It may be more reasonable to place collocators farther away from the cross connects to decrease security costs by, for example, placing them closer to an entrance or in the corner of the central office.[63]

Second, AT&T/MCI claim that BA-NY double counts security costs by including these costs in its per square foot charge and in its room construction costs (determined on an individual case basis).[64] AT&T/MCI are wrong. Security costs associated with provisioning collocation are not booked to building accounts 10C and 20C, which are used to develop the per square foot charges. Rather, as BA-NY explained, all collocation-related costs – including security costs – are booked to account 13C.[65] There is no double recovery.

VII. BA-NY PROPERLY DEVELOPED ITS CAGE COSTS.

AT&T/MCI assert that in developing costs for 300 square foot cages, BA-NY failed to account for the fact that the cage may abut a common wall or another cage, thus decreasing the

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[61] Tr. 6270-71.

[62] AT&T/MCI Br. at 13-14.

[63] Tr. 6272-73.

[64] AT&T/MCI Br. at 14 n.6.

[65] Tr. 6462; *see* Letter from Catherine Kane Ronis to Judge Linsider dated July 2, 1998 (attaching response to OTRR/STC-02, Tr. 6462).

amount of cage material required.[66] AT&T/MCI apparently have not reviewed BA-NY cage invoices. These invoices (and the attached floor plans) for 300 square foot cages plainly show that the majority of the cages abut at least 1 wall or another cage.[67] In fact, one of the projects actually abutted one wall and two existing cages (White Plains).[68] No adjustments were therefore required because the appropriate assumptions regarding abutting walls and cages were already contained in the 300 foot cage invoices examined by BA-NY.

In addition, Intermedia asserts that BA-NY should be required to deaverage its cage construction costs.[69] As BA-NY explained in its initial brief, its vendor pass through rate structure will capture any geographical cost differences within New York.[70]

BA-NY's cage costs and vendor pass through rate structure should be approved.

VIII. BA-NY'S COLLOCATION COST STUDY DOES NOT INCLUDE EXCESSIVE LOADING FACTORS.

Intermedia asserts that BA-NY has applied excessive loading factors to its collocation costs, and cites the FCC's investigation of BA-NY's access collocation tariff for support.[71] Intermedia misunderstands BA-NY's cost study. BA-NY did not – as Intermedia claims – use the

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[66] AT&T/MCI Br. at 48.

[67] *See* Exh 329P. Three projects abut one other cage (W. 36th St., E. 38th St., and 140 West St.) and another three projects abut 2 walls or existing cages (Elmhurst, Queens, 1095 Avenue of the Americas, Zeckendorf Blvd., and White Plains).

[68] Only one of the projects, 140 West St., does not abut a wall or another cage.

[69] Intermedia Br. at 7.

[70] BA-NY Br. at 17 n.39.

[71] Intermedia Br. at 3.

FCC loading factors in its cost studies in this proceeding.[72] Instead, it used the loading factors (more appropriately characterized as carrying charge factors) that have already been approved by this Commission in Opinion No. 97-2. The FCC proceeding is irrelevant.

Moreover, Intermedia claims that BA-NY double recovers costs by applying a loading factor and by charging a per square foot floor space charge. As discussed above, BA-NY charges a per square foot floor space charge in lieu of, not in addition to, the building cost factors to recover the costs associated with the space within the collocator's cage.

Finally, contrary to Intermedia's claims, BA-NY does not apply loading factors to its SAC and IAC charges on top of its non-recurring charges. Perhaps Intermedia is confusing loading factors with utilization rates.[73] Nor does BA-NY recover cable racking and cables in its non-recurring room construction charge. The room construction charge includes the costs of preparing the room, including providing secure access. BA-NY's SAC and IAC charges, on the other hand, recover the cost of cabling, cable racking and terminations. There is no double recovery.[74]

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[72] *Id.* Intermedia misstates BA-NY's testimony at the hearings. BA-NY clearly stated that it did *not* use the FCC methodology from the collocation proceeding to recover building costs. *See* Tr. 6528. BA-NY's reference to the FCC was merely to point out that the FCC permits ILECs to recover building costs. *Id.*

[73] BA-NY explained the reasonableness of its utilization rates in its initial brief. BA-NY Br. at 39-41. Moreover, Intermedia mistakenly believes that BA-NY applies a utilization rate to its central office space. Intermedia Br. at 5. BA-NY applies utilization factors only to its SAC and IAC termination charges based on the number of terminations used by the collocator. It has nothing to do with the economic life of central office plant or the availability of collocation space.

[74] Intermedia claims that BA-NY recovers these costs again through the per square foot charge. Intermedia Br. at 4-5, 6-7. As BA-NY discussed above, all collocation construction is booked to a separate account and is not included in the per square foot charge. Intermedia's claim that BA-NY double recovers cage construction costs should be dismissed for the same reasons. Intermedia Br. at 6-7.

IX. BA-NY'S DESIGN AND IMPLEMENTATION FEES ARE FULLY SUPPORTED.

Intermedia challenges BA-NY's design and implementation fees on the ground that they include a site survey for every collocation arrangement.[75] However, neither Intermedia nor AT&T/MCI put on any witness that could discredit the testimony of Ms. Maguire or Mr. Rath that site surveys are required for each collocation arrangement. Indeed, both Ms. Maguire and Mr. Rath have considerable experience provisioning over 100 collocation arrangements in New York.[76] In stark contrast, the other parties' witnesses have no experience provisioning collocation arrangements.

As explained in more detail in BA-NY's initial brief, the Commission should adopt BA-NY's fully supported design and implementation fees.[77]

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[75] Intermedia Br. at 7.

[76] AT&T/MCI Br. at 42. Intermedia's request that the Commission apply a productivity factor to these collocation costs should be rejected. Intermedia Br. at 2. As BA-NY explained, the design and implementation hours included in the cost study already reflect efficiencies gained over the years. Indeed, BA-NY has already provisioned over 100 collocation arrangements in New York. BA-NY further adjusted its labor costs downward to reflect future efficiencies, and to reflect that some of the activities may be performed by lower paid employees. BA-NY Br. at 42. In fact, it is entirely possible that BA-NY will never recognize all these efficiencies because the number of hours required to implement a collocation project is largely driven by the activities of the collocators.

[77] BA-NY Br. at 41-44.

X. BA-NY PERMITS COLLOCATORS TO INTERCONNECT TO EACH OTHER WITHIN THE SAME COMMON AREA.

Intermedia raises several confusing arguments regarding a collocator's ability to connect to another collocator in the same common area.[78] For example, it argues that the Commission should set non-recurring rates for BA-NY's Dedicated Transit Service ("DTS"), which connects the jumper cables of two collocators within the same common area.[79] BA-NY did propose forward-looking non-recurring DTS rates in its Miscellaneous Phase 3 Services testimony.[80] These rates are therefore ripe for decision in this proceeding.[81]

Intermedia also asserts that the Commission should hold that collocating parties are free to install their own jumper cables between collocation cages. This issue was resolved in December 1997, when BA-NY agreed to permit collocators within the same common area to connect to each other without using BA-NY's DTS service.[82] BA-NY tariffed this option.[83]

CONCLUSION

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[78] Intermedia Br. at 7-8.

[79] Intermedia Br. at 8.

[80] *See, e.g*, BA-NY's Initial Post-Hearing Brief on Costs and Rates for Miscellaneous Phase 3 Services (July 28, 1998).

[81] The Commission should deny Intermedia's request that the rates for other forms of collocation – such as common area collocation – proposed by BA-NY in Case 98-C-0690 be determined in this proceeding. The Commission has instituted a separate proceeding to address these rates. *See* Case 95-C-0657, 94-C-0095, 91-C-1174, Notice Requesting Comments (August 7, 1998). The parties must file comments on these rates no later than August 25, 1998. To the extent that the rates for common components such as per square foot charges are adjusted in this proceeding, BA-NY will amend its rates for other forms of collocation accordingly.

[82] It should be noted that both collocators must be collocating on BA-NY's premises for the purpose of accessing unbundled network elements or interconnecting to BA-NY's network.

[83] NYPSC Tariff 914, Section 5.4.2.

For the foregoing reasons and for the reasons set forth in BA-NY's initial brief, BA-NY's proposed rates for physical and virtual collocation should be adopted.

Respectfully submitted,

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August 21, 1998

APPENDIX A

CONTAINS AT&T PROPRIETARY INFORMATION

APPENDIX B

CONTAINS AT&T PROPRIETARY INFORMATION

NEW ENGLAND TELEPHONE AND TELEGRAPH COMPANY

d/b/a BELL ATLANTIC

COMMONWEALTH OF MASSACHUSETTS

DOCKET D.P.U. 96-73/74, 96-75
96-80/81, 96-83, and 96-94

REBUTTAL TESTIMONY

OF

ROBERT G. GRENIER

Dated: December 31, 1997

to be more consistent with capacity additions to an existing power plant (where all the steelwork and much of the engineering work is already completed) rather than a complete power plant replacement. Such an approach would be inconsistent with the TELRIC methodology adopted by the Department in these proceedings.

Q. What types of activities would BA-MA perform to install a completely new power plant?

A. BA-MA replaces entire power plants on all dial-with-dial conversions where analog switches are being replaced with digital switches. Power plant replacement is necessary because the existing power plant is sized to serve the requirements of the analog switch that is to be replaced and is not of sufficient capacity to provide for the power needs of the existing switch and the digital switch which will require DC power during the installation, turn-up and testing phase of the digital switch replacement project. The activities associated with power equipment installation includes the installation of all new power plant equipment such as the emergency engines, batteries, rectifiers, and power or battery distribution boards. When possible, the existing automatic breaker panel and microprocessor are re-used. The batteries, rectifiers, distribution boards, steel work, and power cable are delivered from the Company's warehouse by contract riggers who provide all the necessary heavy equipment to hoist the new power plant into place. The expenses associated with this activity are in addition to the material investment. New high and low steel must be constructed to support the power cable distribution racking and associated power cable from the power plant to each and every equipment frame in the new digital switch. Due to the potential for induction problems, power cable is placed in a cable rack separate from switchboard or fiber cable.

Once the new plant is installed, including all the necessary cable racking, the power cable is placed and connected. Once the power plant is physically installed, the testing and certification process of the project begins. During this process, the manufacturer's handbook provides all the guidelines necessary to ensure the safe and proper operation of each individual component of the power plant prior to placing the new power plant in service.

Q. Mr. Bissell questions the Company's use of the power factor and the building investment factor and believes that double counting may be taking place. Do you agree with his assessment?

A. No. The power factor is applied to the elements of the SAC charge as a means of accounting for the cost of the power plant spread across all Company owned equipment in BA-MA wire centers. Likewise the building factor is applied to quantify building investment dollars as a ratio of plant equipment investment. This is consistent with the way these factors were applied in the TELRIC filing for unbundled network elements (UNE's). There is no double counting.

Q. Mr. Bissell questions the requirement that, "requiring collocators to wire back to the power plant for demands exceeding 60 amps is likely different from the way NYNEX treats its own equipment and fails to follow engineering best practices".

The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

June 11, 1998

D.P.U./D.T.E. 96-73/74, 96-75, 96-80/81, 96-83, 96-94-Phase 4-G

Consolidated Petitions of New England Telephone and Telegraph Company d/b/a Bell Atlantic-Massachusetts, Teleport Communications Group, Inc., Brooks Fiber Communications of Massachusetts, Inc., AT&T Communications of New England, Inc., MCI Telecommunications Company, and Sprint Communications Company, L.P., pursuant to Section 252(b) of the Telecommunications Act of 1996, for arbitration of interconnection agreements between Bell Atlantic-Massachusetts and the aforementioned companies.

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-and-actual level of investment cannot be known by Bell Atlantic, as it is under the control of the CLEC.

Theoretically, the general power factor could be applied to the CLEC's investment, if the CLEC wished to make that figure known to Bell Atlantic, but AT&T and MCI are not making this proposal. Instead, they wish the collocation equipment to be freed of any associated power charge, which, as we have just noted, would be improper. In any event, in terms of a cost study method, the lack of knowledge about the level of investment costs by the collocators requires us to employ another way to estimate power costs. The Bell Atlantic method is sound, because it properly accounts for the incremental energy costs associated with providing power to the CLEC's equipment.

2. Power Costs -- Inputs

Beyond this methodological question, MCI asserts that the actual costs used by Bell Atlantic in estimating power equipment investment are incorrect, unreviewable, or inconsistent. MCI asserts that Bell Atlantic has used information from past installation work without regard to whether the specific work is consistent with TELRIC pricing. At least one $10,000 cost, argues MCI, is a pure assumption with no backup. Further, the installation factors used by Bell Atlantic assumed company warehousing, whereas the investment cost contained contractor warehousing, creating a double counting (MCI Brief at 20).

MCI also argues that the installation factor used by Bell Atlantic to develop its power costs should be reduced from 3.1963 to 1.6. MCI cites Mr. Bissell's testimony in support of this lower factor, saying that MCI's installation factor is tied to specific work activity with power plant construction, and is not distorted by combining together multiple investment and installation activities as was done by Bell Atlantic in its installation factor. Specifically, MCI contends that the use of the higher installation factor for the cable racking portion of the power supply is not justified, because much of the costs included by Bell Atlantic related to the cost of installing racking to digital switching, and not to a power plant (MCI Brief at 23-25).

On the question of the installation factor, Bell Atlantic asserts that Mr. Bissell has ignored a large number of costs associated with the installation of DC electricity and that his approach appears to be analytically flawed because it includes only costs that would be incurred by adding a small amount of capacity to an existing power plant. Bell Atlantic argues that the installation factor was developed using all relevant costs associated with providing DC power in Massachusetts, in a manner consistent with previous TELRIC studies (Bell Atlantic Brief at 13).

MCI further asserts that the application of both a power and building factor to the DC equipment investment costs may result in double-counting. Accordingly, MCI recommends a reduction of the power factor from 1.0565 to 1.0 and an elimination of the building factor (MCI Brief at 23). Bell Atlantic responds that MCI ignores the documentation of actual costs that have been paid by Bell Atlantic to third-party vendors for power service to cages. Bell Atlantic notes that it provided detailed work packages for each collocation project included in the cost study, which includes the provision of power-related items (Bell Atlantic Brief at 6-7).

Regarding MCI's proposal on the power and building factors, Bell Atlantic responds that MCI misconstrues the theory and structure of forward-looking cost studies. The power and building factors should be applied to the DC equipment investment costs, says Bell Atlantic, since those factors are used in the TELRIC methodology to reflect the relationship between plant-related services and the need for corresponding power and building investment. Further, Bell Atlantic notes that there is no allocation or explicit recovery of a fixed level of costs between services that could support the concept of a double recovery (id.).

We agree with Bell Atlantic's conclusions for the reasons it has stated. Bell Atlantic has provided specific documentation of power-related costs, has calculated an installation factor in accordance with the TELRIC methodology adopted by the Department in the Phase 4 Order, and has properly applied power and building factors to investment in accordance with the TELRIC methodology.

3. Other Installation Factors

MCI argues that the installation factor used to determine the POT frame, SAC, and FSAC should be reduced from 1.4254 to 1.3. MCI claims that Mr. Bissell obtained more precise information than did Bell Atlantic on installation costs applicable to the specific type of work associated with the engineering, furnishing, and installation of equipment similar to the type identified by Bell Atlantic in its cost study. MCI argues that Bell Atlantic's higher installation factor reflects more complicated digital equipment installation work by more expensive vendors than would be used to install collocation-related equipment (MCI Brief at 24).

Bell Atlantic responds that it relied on actual data concerning the relationship between the total installed cost of equipment and the cost of equipment itself (Bell Atlantic Brief at 9-10; Bell Atlantic Reply Brief at 15).

CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of July, copies of the foregoing "Revision to Verizon Direct Case" were sent by first class mail, postage prepaid, to the parties on the attached list.

Steven E. McPherson

Steven E. McPherson

* Via hand delivery.

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